

The 2020/21 audit of NHS National Services Scotland

Response to Covid-19 pandemic



AUDITOR GENERAL 

Prepared for the Public Audit Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000

October 2021

Contents

Introduction	3
Key messages	5
Impact of Covid-19 on NHS NSS	6
NHS NSS' Covid-19 response	8
Plans for recovery	15
Conclusion	17

Introduction

1. I have received the audited annual report and accounts, including the appointed auditor's report, for NHS National Services Scotland (NHS NSS) for the year ended 31 March 2021. I submit these accounts and the auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report, which I have prepared under section 22(3) of the Act. The purpose of this report is to capture the key role that NHS NSS has played in the response to the Covid-19 pandemic.

2. NHS NSS is a non-departmental public body which was established as the Common Services Agency under The National Health Service (Functions of the Common Service Agency) (Scotland) Order 1974. It was established to provide national strategic support services and advice to the rest of NHS Scotland. More recently the remit of NHS NSS has been extended to enable it to provide services to other public sector bodies across Scotland.

3. The global Covid-19 pandemic has had, and continues to have, a considerable impact on the staff and services of NHS NSS. The workload of key services, particularly national procurement and Digital and Security, has significantly increased.

4. NHS NSS' national procurement role has been essential in securing Scotland's supplies of Personal Protective Equipment (PPE). PPE includes gloves, gowns and masks which protect the face and eyes. During the Covid-19 pandemic, PPE has been essential in limiting the transmission of the virus by protecting health and social care professionals and the people they care for.

5. NHS NSS also had a key role in setting up the NHS Louisa Jordan field hospital and Covid-19 testing labs.

6. NHS NSS' Digital and Security team has enabled the roll out of technology to support homeworking across the NHS in Scotland and supports the digital platform for contact tracing and vaccinations.

7. My report follows the completion of the 2020/21 audit of NHS NSS. It looks at NHS NSS' response to the Covid-19 emergency and builds on other work carried out by Audit Scotland including:

- annual audit work at NHS NSS
- [NHS in Scotland 2020](#) report
- [PPE briefing paper](#)
- [Vaccination programme briefing paper](#).

8. My report is in four parts and considers:

- The impact of Covid-19 on NHS NSS
- NHS NSS' response to the Covid-19 pandemic
- Plans for recovery
- Conclusion.

Key messages

- The appointed auditor gave unmodified opinions on the NHS NSS annual report and accounts for 2020/21. This means, in the auditor's opinion, they show a true and fair view, follow accounting standards, and that the income and expenditure for the year is lawful.
- NHS NSS has been integral to Scotland's response to the pandemic. It worked well with partners to procure PPE, construct the NHS Louisa Jordan field hospital, set up and operate the test and protect programme and support the vaccination programme.
- NHS NSS used emergency procurement provisions to award PPE contracts without competition. The auditor reported some variation in the procurement arrangements applied but concluded that satisfactory arrangements were in place. In addition, this work did not find any evidence of preferential treatment or bias in the awarding of contracts.
- Contract award notices were not published within the required timescales for most of the PPE contracts. This reduced the transparency of decision-making.
- NHS NSS has worked well with partners to bring the PPE supply chain to Scotland which will make it more resilient. It is working with the Scottish Government on a longer-term plan for PPE as well as its own Covid-19 recovery plan.
- NHS NSS built, stocked and decommissioned the NHS Louisa Jordan field hospital at a cost of £51.2 million in 2020/21.
- The contact tracing programme required NHS NSS to increase testing capacity and develop a digital portal to provide intelligence and data analysis to support decision-making.
- NHS NSS continues to work well with partners to support the vaccination programme.

Impact of Covid-19 on NHS NSS

The auditor's opinions on the annual report and accounts are unmodified

9. The appointed auditor gave unmodified opinions on the NHS NSS annual report and accounts for 2020/21. The Board approved the annual report and accounts on 30 August 2021.

10. NHS NSS made material adjustments to the annual report and accounts as a result of the audit process. The most significant changes relate to the accounting for PPE and test kits which was subject to late resolution by the Scottish Government. This resulted in the recognition of £120.6 million additional income from boards for PPE, previously met by funding from the Scottish Government, and an additional £71.8 million, of both expenditure and the income, for the test kits supplied to the public.

The Scottish Government increased NHS NSS revenue funding by £297.7 million to respond to Covid-19 but future funding remains uncertain

11. NHS NSS operated within its revised Revenue Resource Limit in 2020/21. It received £504.9 million in revenue funding from the Scottish Government for its normal activities and a further £297.7 million to fund its contribution to the response to the Covid-19 pandemic.

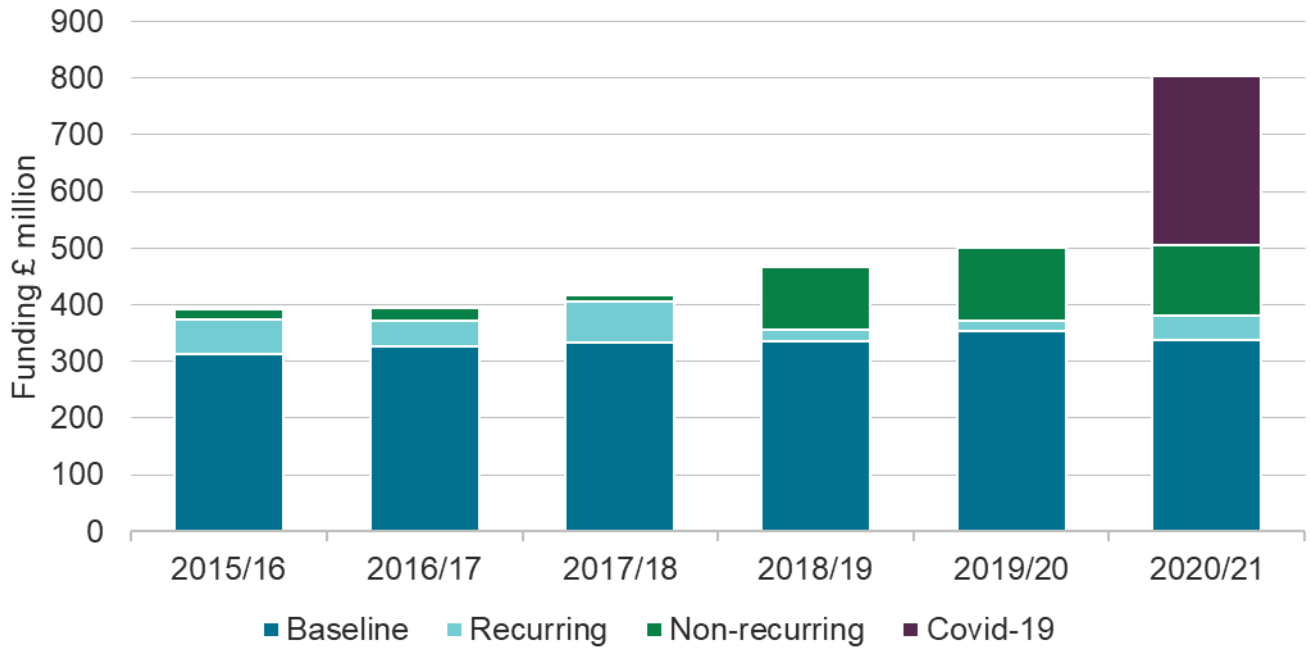
12. NHS NSS expects to spend £399 million on the Covid-19 response in 2021/22. It has received its baseline revenue funding for the year and six months of funding to cover the additional Covid-19 costs. This has resulted in uncertainty about funding in the second half of the financial year which has led NHS NSS to pause some key development areas.

13. An analysis of funding from 2015/16 to 2020/21 shows that NHS NSS is now heavily reliant on non-recurring funding to deliver services ([Exhibit 1, page 7](#)). Reliance on non-recurring funding limits the ability of NHS NSS to effectively plan and resource future developments.

14. The auditor reported that urgent action is now needed to assess and transform the delivery of services to reduce costs and improve productivity. NHS NSS has a projected deficit of £13.1 million by 2023/24 with all business units projecting deficits. The immediate priority of NHS NSS remains supporting the national response to Covid-19, so medium-term planning has been constrained.

Exhibit 1

Split of revenue funding showing increasing reliance on non-recurring elements, 2015/16 to 2020/21



Source: NHS NSS Financial Allocation Letters

NHS NSS' Covid-19 response

PPE procurement

NHS NSS procured PPE for Scotland in very difficult circumstances

15. The pandemic presented serious challenges to countries across the world in sourcing and procuring PPE. The global market was complex and volatile early in the pandemic, as worldwide demand grew rapidly, international supply chains collapsed, and prices increased. NHS NSS played a key role in Scotland's response to the pandemic by sourcing PPE for all NHS boards, and for social care providers through hubs operated by health and social care partnerships.

16. We published a briefing paper on PPE in June 2021 which looked at how the Scottish Government and NHS NSS put in place arrangements to procure, store and distribute PPE to health and social care settings before and during the pandemic, and how they are planning for the longer term.

17. In March 2020, the Scottish Government expanded NHS NSS' role to include providing PPE to primary care settings and some social care services after their private supply chains faltered. NHS NSS supplied PPE to GPs, community pharmacies, dentists and opticians; and to care providers through 48 PPE hubs across Scotland. It also set up the social care support centre, which had an emergency phone line for urgent requests for PPE.

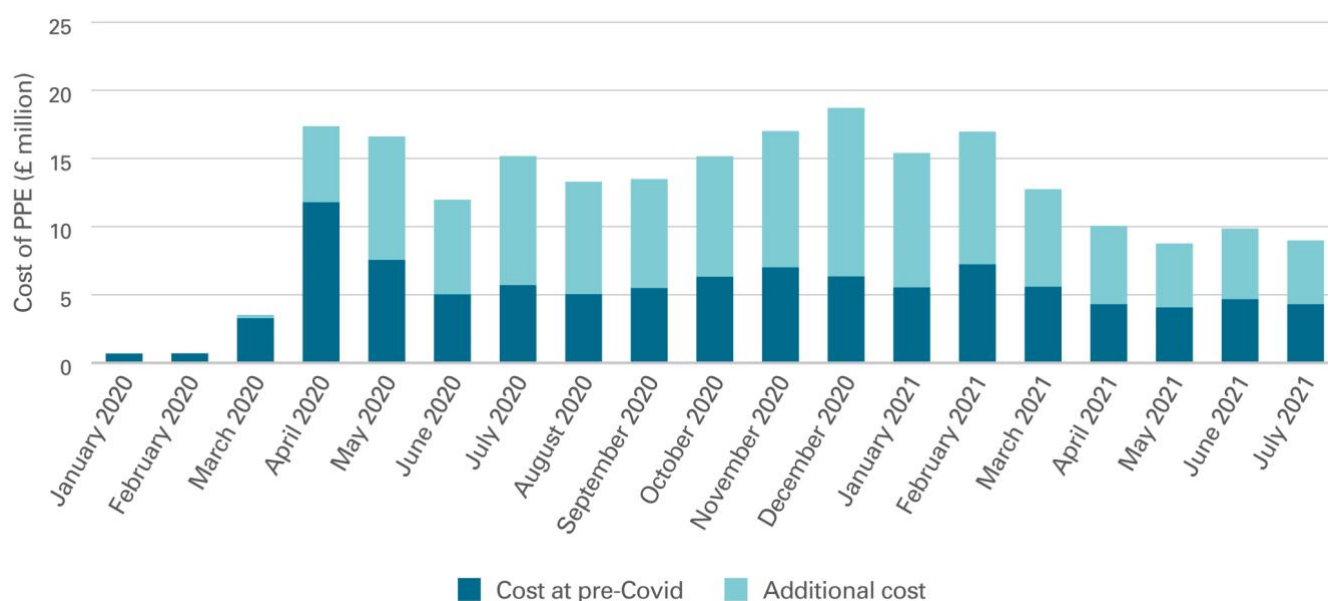
Demand for and cost of PPE increased dramatically due to Covid-19

18. In 2019/20, NHS NSS distributed on average 5.6 million items of PPE, worth £162,000 a week across Scotland. Since March 2020, this has increased to an average of 17.4 million items a week worth £3.6 million, a 212 per cent increase in volume and over 2,100 per cent increase in the cost of shipments. NHS NSS has spent £340 million on PPE for the pandemic response.

19. On average, the unit price of PPE during the pandemic doubled compared to the previous year ([Exhibit 2 page 9](#)).

Exhibit 2

Cost of PPE shipped by NHS NSS, January 2020 to July 2021



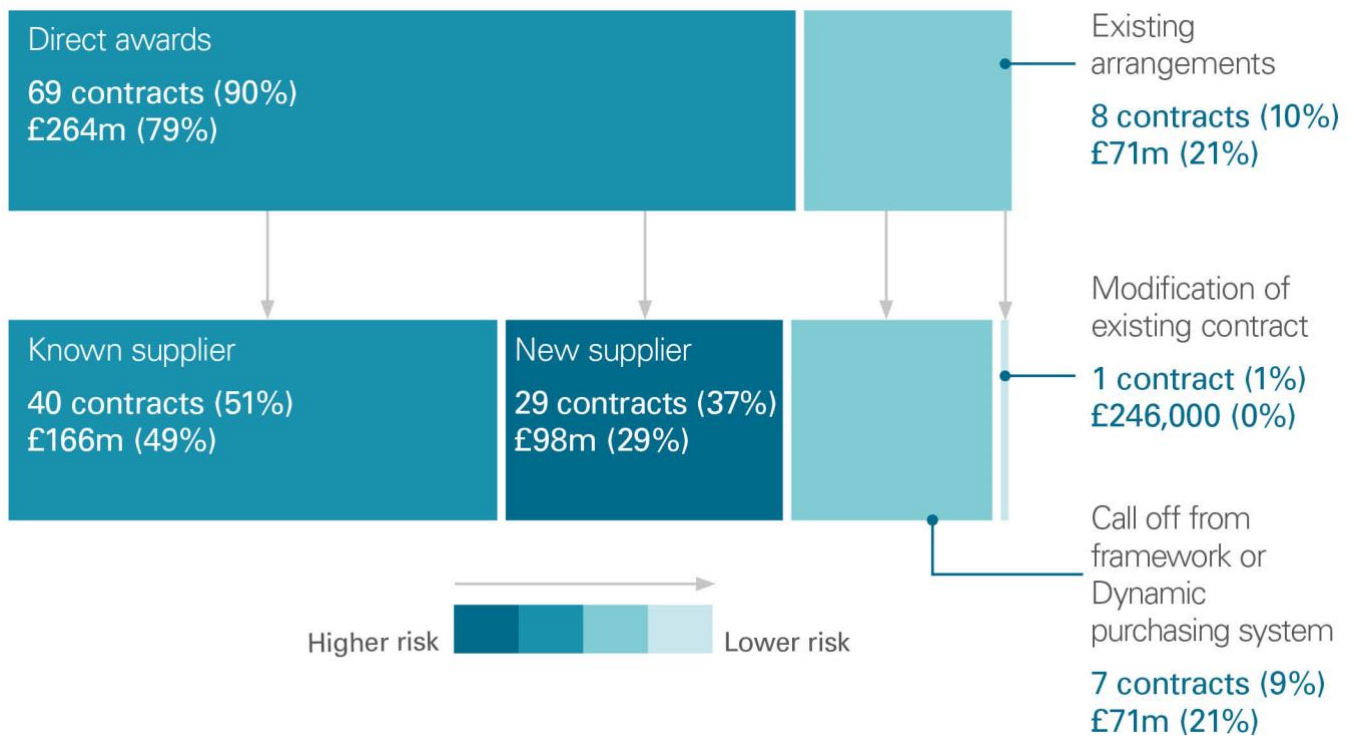
Source: NHS NSS

NHS NSS applied the emergency procurement regulations to directly award contracts without competition

20. The Scottish Government published guidance in March 2020 for public bodies procuring goods and services during the pandemic. This set out existing provisions in the procurement regulations which allows bodies to procure goods and services in extreme urgency.

21. NHS NSS awarded 78 contracts worth £340 million to companies providing PPE between March 2020 and June 2021. Of the contracts awarded, 29 with a total value of £98 million, were awarded to new suppliers with no competition. This was in accordance with the emergency procurement procedures in place. Details of the contracts awarded are detailed in [Exhibit 3 \(page 10\)](#). NHS NSS returned to regular competitive procurement in April 2021.

Exhibit 3
Summary of contract awards to new suppliers



Note: NHS NSS also spent £4.8 million on PPE from NHS Wales
 Source: Audit Scotland using information from NHS NSS

22. The annual audit of NHS NSS looked in detail at the procurement of PPE. The auditor reported that the audit work did not find any issues with the quality of goods procured or the companies contracted. However, two contracts were identified where total spend was higher than the original contract value. An overspend of £0.986 million was identified in an approved contract valued at £0.147 million with the second contract overspend of £3.149 million on an approved contract of £12.049 million. NHS NSS has committed to ensuring retrospective contract approval and monitoring this through its established governance group.

NHS NSS had to balance the risks of not following standard processes against the risk of not securing PPE for Scotland’s front-line staff

23. At the start of the pandemic, the global PPE market was fast moving and volatile. In this environment decisions were made quickly to secure factory time or freight space as countries across the world competed against each other for PPE. This meant that NHS NSS staff were working under extreme pressure and did not have time to follow the standard procedures.

24. At the start of the pandemic there was no clear, structured process for staff to follow which set out what ‘business as usual’ processes should be covered and what could be left out to avoid delays. It is important to recognise that the

cost of not doing anything, or in some circumstances taking too long to act, is impossible to quantify.

25. NHS NSS used contract approval documents as the main vehicle for recording contract information and approvals. The auditor reported that these were not completed to a consistent level of detail. Further, three were found to have been signed after the contract start date and one not signed at all. This presents a risk that the contracts were not given sufficient scrutiny before being concluded. The auditor also reported that there was inconsistent use of contract award letters; for most contracts these were not used due to the risk of delay.

26. NHS NSS spent £98 million with 24 suppliers (through 29 contracts) that it had no previous relationship with. The procurement managers for these contracts liaised with Scottish Enterprise who provided further information about the suppliers and in some instances visited overseas factories. Where this happened, it was recorded in the contract approval document. However, there was no clear guidance for due diligence nor a formal agreement between Scottish Enterprise and NHS NSS on the nature of work required.

27. The auditor concluded that, for all the contracts sampled, there was evidence that the goods met the required safety standards. Due to the pace of the award process this evidence was inconsistently recorded depending on the contract.

NHS NSS adequately managed the risks of advance payments

28. To secure contracts at the start of the Covid-19 pandemic, when supplies were in greatest demand, NHS NSS had to make advance payments to 20 suppliers. These advance payments were required to secure manufacturing slots or airfreight to ensure the supply of PPE. They were also used to help companies, such as Alpha Solway, move their manufacturing to the UK.

29. Up to March 2021, NHS NSS had paid £135 million in advance payments and by July 2021 only £6.6 million of orders remained outstanding. NHS NSS managed this risk through normal procurement processes and reported to the national procurement governance and programme board. The associated risks are now substantially reduced and NHS NSS has adapted its monitoring arrangements to reflect this.

NHS NSS developed an online portal to manage offers of PPE

30. At the start of the pandemic, many companies contacted the Scottish Government and NHS Scotland to offer services, including the supply of PPE. By mid-April 2020, NHS NSS had developed an online portal to manage the large volume of emails. NHS NSS required companies which were offering PPE to complete the questions on the portal and provide accompanying evidence. It received 2,047 offers through the portal, 436 were blank, 820 failed the checklist questions and 790 passed the checklist questions but were not required by NHS NSS and so were passed to the Scottish Government for non-health and social care requirements. NSS made one contract offer based on the portal offers. This streamlined process saved considerable time for NHS NSS staff reviewing emails which would not meet their requirements.

31. In addition, this work did not find any evidence of preferential treatment or bias in the awarding of contracts.

Most contract award notices were not published within the required timescales reducing the overall transparency

32. The lack of some of the normal assurance obtained through the competitive process for direct contract awards ([paragraph 21](#)) makes it especially important for public assurance that procurement decisions are transparent. As part of the regulations, bodies must publish a contract award notice within 30 days of a contract being awarded. NHS NSS publishes these award notices on the Public Contracts Scotland website. Of the 74 PPE contracts awarded in the pandemic where an award notice was required only 20 per cent were published within 30 days. NHS NSS acknowledges that the unprecedented demands placed on its procurement team made achieving this challenging.

NHS NSS adapted quickly to implement appropriate financial governance for the award of PPE contracts

33. At the start of the pandemic NHS NSS found its contract approval process was too slow to support the required response. As a result, on 28 March 2020, NHS NSS amended its standing financial instructions (SFIs) to increase the delegated approval levels.

34. In 2020/21 NHS NSS' internal audit reviewed the financial controls for Covid-19 procurement. The review considered the appropriateness of the revised SFIs and tested a sample of 40 Covid-19 related transactions, across 34 contracts, to assess the controls in place. The overall conclusion was that there was 'significant assurance with minor improvements'. Temporary amendments to the SFIs allowed more streamlining of the authorisation process for new contracts and reduced the associated workload of staff involved in approving contracts. Five contract approvals were identified where the revised SFIs were not followed and retrospective approval has now been applied.

NHS NSS worked well with partners from early in the pandemic to source suppliers and make the supply chain more resilient

35. NHS NSS worked with the Scottish Government, Scottish Enterprise and the National Manufacturing Institute Scotland through the health supply chain programme, to overcome supply shortages and develop a more resilient supply chain. Staff from all organisations worked together to secure PPE and other products including ventilators, intensive care unit (ICU) equipment and testing kits. There were daily calls, daily action reporting and weekly activity reports as part of this work. This meant that the implications of decisions across organisations could be better understood and taken quicker.

36. In addition, NHS NSS worked with the Scottish Government and Scottish Enterprise to develop a Scottish supply chain. At the start of 2020, none of the PPE purchased by NHS NSS was manufactured in Scotland. By April 2021, the Scottish Government reported that 88 per cent of PPE, excluding gloves, was manufactured in Scotland, often using Scottish raw materials.

NHS Louisa Jordan field hospital

NHS NSS built, stocked and decommissioned the NHS Louisa Jordan field hospital

37. NHS Louisa Jordan was a field hospital in the Scottish Events Campus site constructed by NHS NSS on behalf of the Scottish Government. It had 300 beds designed to treat Covid-19 patients but could be expanded to 1,000 to meet demand. NHS NSS was responsible for leasing property and processing the necessary expenditure for constructing and equipping the field hospital. It also sourced the beds, critical care equipment, mobile X-rays and CT scanners needed at the hospital. This cost £51.2 million in 2020/21.

38. Covid-19 patients were not treated at the hospital but it was used for outpatient appointments and the vaccination programme before being decommissioned in July 2021. NHS NSS is responsible for the decommissioning and redistribution of equipment to NHS boards across Scotland.

Contact tracing

NHS NSS played a pivotal role in setting up and operating the contact tracing programme for Scotland

39. Contact tracing is a key part of the pandemic response. It includes testing people with symptoms, reporting the results to the patients and contacting the close contacts of those who test positive.

40. NHS NSS provided support to increase testing capacity across the NHS Scotland labs network including the deployment and supply of testing platforms and supplies. Three regional hubs were established alongside the delivery of testing pathways for health and social care staff across Scotland.

41. NHS NSS' Digital and Security team played a critical role in coordinating intelligence around test results. This included the development of a digital portal and the provision of data analysis to support the decision-making by the Scottish Government and other partners.

42. The National Contact Centre was established within NHS NSS, on behalf of Public Health Scotland, to support contact tracing. Since April 2020, NHS NSS has trained over 1,200 new employees to deliver the tracing function. As a core part of the induction all new employees were trained in information governance, information security and confidentiality, recognising the importance of ensuring the security of data they had access to.

Vaccination programme

NHS NSS continues to work well with partners to support the vaccination programme

43. NHS NSS is working closely with a range of partners, including the Scottish Government, all health boards and councils, the military and the voluntary sector to deliver the Covid-19 vaccination programme. Given the pace of implementation and breadth of involvement NHS NSS recognises this as its single biggest undertaking.

44. NHS NSS' Programme Management Service has taken a lead role on the service delivery programme and demand for its services has never been greater. This has resulted in significant expansion. Although this was part of the longer-term planning it has been accelerated with the service already resourced at planned 2023 levels.

45. NHS NSS' National Procurement team are involved in ensuring the supply chain and logistics for the delivery of the vaccine across Scotland. This is at a time when ongoing demand remains high for PPE and testing kits as these other important elements of the pandemic response continue.

46. Digital and Security, in partnership with NHS Education for Scotland Digital and eHealth leads, are providing the digital infrastructure for the vaccination programme. This includes managing data, bookings and reporting as well as establishing the dedicated Covid-19 vaccination helpline for the public.

Plans for recovery

NHS NSS has a Remobilisation Plan for 2021/22 to support the continued response to the pandemic and recovery across the health sector

47. The Scottish Government has requested all NHS bodies produce, and regularly revise, remobilisation plans for the restoration of 'business as usual' services.

48. In March 2021 the NHS NSS Board approved the Remobilisation Plan 2021/22. Despite the ongoing focus of continuing to support the response to the Covid-19 pandemic, NHS NSS is also planning for how it can deliver 'business as usual' as well as identifying new services.

49. The plan is aligned to the following NHS Scotland priorities for 2021/22 financial year:

- Living with Covid-19 – continue to deliver critical Covid-19 response services throughout 2021/22
- Delivering essential services – remobilise and improve NHS NSS services for health and social care in 2021/22
- Longer-term priorities – provide NHS NSS expertise and service delivery to help realise opportunities.

50. NHS NSS has expanded and diversified its approach to storing PPE, to ensure greater resilience. Prior to the pandemic, NHS NSS held small volumes of PPE stock in its National Distribution Centre for meeting 'business as usual' demand. It also held stock in two external warehouses on behalf of the Scottish Government. To support the long-term resilience of PPE supply, NHS NSS has leased a further two warehouses, as well as having access to an additional five warehouses managed by third parties.

51. NHS NSS is working with the Scottish Government to develop longer-term plans for the procurement and supply of PPE.

NHS NSS' Future Ready programme has been established to support flexibility in future working arrangements

52. A lessons learned exercise, completed by NHS NSS after wave 1 of the Covid-19 pandemic, showed that there had been a number of performance benefits from working from home. Further, many critical 'business as usual' services had coped well despite the additional pressures being faced.

53. A recent staff survey showed that the majority (92 per cent) of NHS NSS staff are keen to remain working from home on a full or part time basis. The NHS NSS Future Ready programme has been established to take this forward. It is proposed that, by taking a digital first approach, NHS NSS will enable staff and services to determine how they work, where they work and when to work, to the benefit of the organisation, customers and individual wellbeing. Principles for decision-making have been agreed and the programme is now entering the implementation phase.

Conclusion

54. NHS NSS has been integral to Scotland's response to the pandemic. It worked well with partners to procure PPE, construct the NHS Louisa Jordan field hospital, set up and operate the contact tracing programme and support the vaccination programme. Although some weaknesses and inconsistencies were identified by the auditor it is important to remember the context that NHS NSS was operating in and the potential implications of not taking the required action or of proceeding too slowly.

55. I note the announcement that the Scottish Government will hold an independent public inquiry into how the Covid-19 pandemic was handled.

The 2020/21 audit of NHS National Service Scotland

Response to Covid-19 pandemic

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk